



**City and County of Honolulu  
Department of Transportation Services  
Disadvantaged Business Enterprise (DBE)  
Proposed Adjustment to the Three-Year Overall Goal  
For the  
Federal Fiscal Years 2020, 2021, 2022**

**August 2020**

## SUMMARY

Over the past three federal fiscal years (FFYs), the Department of Transportation Services (DTS) has been unsuccessful in attaining its Disadvantaged Business Enterprise (DBE) overall goal of 14.65% (FFYs 2018 and 2019) and 15.05% (FFY 2020). Upon careful consideration and review of current and potential future Federal Transit Administration (FTA) funded awards, DTS in accordance with 49 CFR Part 26, has proposed an adjustment to its DBE FFYs 2020-2022 three-year overall goal. This adjustment is attributed to a correction in the methodology, changes in project funding sources and amounts, re-examining North American Industry Classification System (NAICS) work categories, and the limited number of FTA funded projects as described below:

1. After further review, the 2.1% Base Figure from our original FFYs 2020-2022 goal submission did not require an adjustment from 2.1% to 15.05% as calculated in the goal methodology. In part, this 15.05% goal contributed to DTS' inability to meet their goal. This adjustment from 2.1% to 15.05% was made by applying to the goal methodology the median past DBE participation percentage over the past five FFYs. In accordance with 49 CFR §26.45 (d) it was later realized that evidence did not suggest such an adjustment was actually needed in the methodology. Adjusting a goal is permitted only if comparing past DBE awarded projects with anticipated awards of the same type of projects. When DTS later compared past DBE participation to future awards, the projects were significantly different from the types of anticipated projects to be awarded in the FFYs 2020-2022. In short, DTS overlooked the fact that the types of projects to be let in FFYs 2020-2022 were very different from the types of projects let in past years. Therefore, DTS should not have adjusted its goal to 15.05% by assuming that the past rates of DBE participation are an accurate reflection of DBE participation in future years. Consequently, this provided DTS with an unrealistic and incorrect goal of 15.05%. DTS has since corrected its methodology model.
2. The changing of projects and funding sources due to the department's re-prioritization and needs. The Bus Stop Americans with Disabilities Act Access and Site Improvements project was included in the analysis and calculation of the FFY 2020 goals, but the anticipated FTA award was replaced with the Solar Lights at Bus Stops project. This was due to a greater demand to provide improved energy efficient lighting at bus stops for the safety and security of bus patrons. This project is different in scope and work categories, and the federal funding was reduced due to fewer locations, which resulted in less DBE opportunities.
3. Subsequent to the approved FFYs 2020-2022 goal, DTS re-assessed and further categorized the NAICS code work categories for anticipated awards. In addition to the current categories of masonry, electrical, painting, and

general contractors, DTS added new NAICS code classifications, including fabricated wire product manufacturing, other communications equipment manufacturing, other lighting equipment manufacturing, engineering services, and highway, street and bridge construction. This resulted in a more current, realistic, accurate, and narrowly tailored goal unique to DTS' anticipated DBE projects.

4. Historically each year, DTS has experienced a limited number of FTA funded projects. DTS's Uniform Report of DBE Commitments /Awards and Payments (Reports) over the years have shown limited awards and projects. For instance, in the 2016 and 2017 Reports, only two to three projects were awarded and in the 2018 and 2019 Reports, there were zero awards. The limited number of FTA funded projects will sometimes result in relying on a single project to attain the annual goal. In the event a single anticipated DBE project is not timely awarded or the projected procurement is either delayed or denied, DTS' goal attainment becomes extremely difficult given the already limited or low percentage of DBE opportunities. This has been the case for this current fiscal year.

To this end, DTS is adjusting its goal from 15.05 to 1.9 percent DBE overall goal in FFYs 2020-2022, and intends to meet this goal by zero percent race-neutral (RN) participation and 1.9 percent race-conscious (RC) participation. If DTS exceeds their overall goal in two consecutive years through RC means, DTS will reduce the use of contract goals proportionately in the following year.

## GOAL ADJUSTMENT

Table 1 below shows DTS' programs for the various projects that were awarded or are planned to be awarded during FFYs 2020-2022.

**Table 1**

<b>Name of Program</b>	<b>FTA Share</b>	<b>Local Share</b>	<b>Projected Total Cost</b>
<b>FFY 2020</b>			
• Bus Stop ADA Access and Site Improvements	\$52,963	\$177,312	\$230,275
• Transit Safety and Security	\$396,049	\$387,062	\$783,111
<b>FFY 2021</b>			
• Bus Stop ADA Access and Site Improvements	\$325,429	\$268,000	\$593,429
• Transit Safety and Security	\$118,937	\$31,063	\$150,000
<b>FFY 2022</b>			
• Bus Stop ADA Access and Site Improvements	\$325,429	\$268,000	\$593,429
• Transit Safety and Security	\$291,063	\$75,937	\$367,000

Table 2 below summarizes each work category, estimated values by NAICS Code, and weighted work categories.

**Table 2**

<b>Category of Work</b>	<b>NAICS Code</b>	<b>Estimated FTA Dollars by NAICS</b>	<b>Estimated FTA% by NAICS Code (Weighted)</b>
Masonry Contractors	238140	FFY 2020 \$0 FFY 2021 \$81,357 FFY 2022 \$81,357	11%
<b>SUBTOTAL</b>		<b>\$162,714</b>	
General Contractor	236220	FFY 2020 \$0 FFY 2021 \$195,258 FFY 2022 \$195,258	26%
<b>SUBTOTAL</b>		<b>\$390,516</b>	

Category of Work	NAICS Code	Estimated FTA Dollars by NAICS	Estimated FTA% by NAICS Code (Weighted)
Electrical Contractor	238210	FFY 2020 \$159,443 FFY 2021 \$0 FFY 2022 \$68,825	15%
SUBTOTAL		\$228,268	
Painting Contractor	238320	FFY 2020 \$0 FFY 2021 \$48,814 FFY 2022 \$48,814	6%
SUBTOTAL		\$97,628	
Other Fabricated Wire Product Manufacturing	332618	FFY 2020 \$58,388 FFY 2021 \$0 FFY 2022 \$0	4%
SUBTOTAL		\$58,388	
Other Communications Equipment Manufacturing	334290	FFY 2020 \$17,981 FFY 2021 \$0 FFY 2022 \$0	1%
SUBTOTAL		\$17,981	
Other Lighting Equipment Manufacturing	335129	FFY 2020 \$213,200 FFY 2021 \$0 FFY 2022 \$0	14%
SUBTOTAL		\$213,200	
Engineering Services	541330	FFY 2020 \$0 FFY 2021 \$118,937 FFY 2022 \$119,000	16%
SUBTOTAL		\$237,937	
Highway, Street and Bridge Construction	237310	FFY 2020 \$0 FFY 2021 \$0 FFY 2022 \$103,238	7%
SUBTOTAL		\$103,238	
<b>TOTAL</b>		<b>\$1,509,870</b>	<b>100%</b>

## **GOAL METHODOLOGY**

### **Step One: Determination of a Base Figure**

DTS collected data from a \*DTS' Bidder's List and the \*\*U.S. Census Bureau to establish its DBE base figure of DBEs relative to all comparable establishments (DBE and Non-DBE). DBEs are defined as "ready, willing and able DBEs" that have participated in the bidding process for City procurements. The bidder's list included all establishments which submitted bids in the past five years from 2015 to 2019 as prime contractors or subcontractors.

Table 3 on the following page, is a bidder's list summary showing the applicable work categories of the total number of DBEs compared to all comparable establishments in Hawaii. The relative availability of DBEs for each work category is calculated by dividing the DBEs by the number of all comparable establishments in Hawaii multiplied by 100. This results in a percentage of DBEs for each work category.

\*City and County of Honolulu Purchasing Division, Department of Budget and Fiscal Services (data from 2015 to 2019).

\*\*2016 Geography Area Series: County Business Patterns for Hawaii.

**Table 3**

<b>NAICS Code</b>	<b>Number of DBEs from Bidder's List</b>	<b>Number of All Establishments in Hawaii</b>	<b>Relative Availability</b>
238140 Masonry Contractors	1	65	1.5%
236220 General Contractor	6	216	2.8%
238210 Electrical Contractor	6	350	1.7%
238320 Painting Contractor	1	156	0.6%
332618 Other Fabricated Wire Product Manufacturing	0	0	0%
334290 Other Communications Equipment Manufacturing	0	0	0%
335129 Other Lighting Equipment Manufacturing	0	0	0%
541330 Engineering Services	0	312	0%
237310 Highway, Street and Bridge Construction	4	40	10%

Table 4 below illustrates a weighted ratio figure derived from the relative availability of each work category. The weighted ratio figure for each category of work is calculated by multiplying the category weight (Table 2) by the relative availability (Table 3). The ratio figures for each category of work are then added together to form the Base Figure. The total ratio figure of 1.9 percent is the Step One Base Figure.

**Table 4**

<b>NAICS Code</b>	<b>Category Weight (Table 2)</b>	<b>X (Multiplied)</b>	<b>Relative Availability (Table 3)</b>	<b>Ratio Figure (Weighted)</b>
238140	11%	X	1.5%	0.17%
236220	26%	X	2.8%	0.73%
238210	15%	X	1.7%	0.26%
238320	6%	X	0.6%	0.04%
332618	4%	X	0%	0%
334290	1%	X	0%	0%
335129	14%	X	0%	0%
541330	16%	X	0%	0%
237310	7%	X	10%	0.7%
<b>TOTAL</b>	<b>100%</b>			<b>1.9% (Rounded)</b>

## **Step Two: Adjusting the Base Figure**

Step Two of the goal methodology is intended to adjust your Step One Base Figure to make it as accurate as possible. After considering all evidence available to determine whether such an adjustment is necessary, DTS concluded it was not required for the following reasons:

1. The type of projects that are proposed for FFYs 2020-2022 are significantly different from the type of projects that were used to develop the goal in the previous FFYs 2017-2019. The previous projects included security gates and security camera projects. The anticipated projects include solar and LED (light emitting diode) lighting with material purchases, bus stop ADA access and site improvements, and design and construction of security cameras and gates with material purchases. Therefore, adjusting the base figure with figures from past participation would not reflect an accurate



comparison due to the differences in project types and is not needed. This is further explained in the Summary section no. 1.

2. The Base Figure of 1.9% and the DBE past participation of 0% for the past six DBE Reports are very similar. The zero percentage is attributed to the unfairly low percentage of available DBE opportunities, along with changing department project priorities and funding sources.

DTS' proposed adjusted goal of 1.9% reflects the level of DBE participation expected absent the effects of discrimination in DTS' contracting activities, and will be reviewed and adjusted, as necessary over the remaining life of the overall goal.

### **RACE-NEUTRAL (RN) & RACE-CONSCIOUS (RC) GOAL PROJECTION**

DTS is proposing to meet the FFYs 2020-2022 overall DBE goal of 1.9% through RC measures by establishing contract goals, where applicable, because DTS believes the projected projects will not be able to meet its goals by RN means. DTS has achieved zero percent DBE participation over the past two FFYs and believes by applying RC measures these efforts can lead to successfully meeting its goals. However, DTS will monitor DBE participation throughout the year, and if and when goals are met, RC measures will be replaced with RN measures for the remainder of the FFY.

DTS' adjusted goal of 1.9 percent will be effective upon approval.